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ABSTRACT

This digest of a full-length report provides a review of state level budgeting for higher education in terms of the underlying interplay of human and external forces coupled with factors that are present in the budgeting process itself. The environmental context includes historical, political, economic, and demographic factors. These factors explain, at least in part, the wide variance in funding for higher education among the states. Historical traditions, the state's economic climate, and the centralization of the power of higher education within the state's political structure, as well as the aging of the population and the growth of the minority sector all influence the budgeting process. Among the primary elements of the budgeting process (governor, legislature, staffs, educational community), staffs have become increasingly important. Timing is also critical when budgets are placed in competition with numerous other issues of importance to the state. Major policy concerns in higher education in recent years include: (1) accountability, (2) costs, (3) productivity, (4) quality, (5) affordability, (6) economic development, (7) access for minority and nontraditional students, and (8) equity for independent higher education. The implications of these concerns in the state budgeting process are discussed. Includes two references. (GLR)

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Budgeting for Higher Education at the State Level: Enigma, Paradox, and Ritual

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State budgeting for higher education is a complex set of activities involving various competing interests and issues. In the broadest sense, the primary objective of all budgeting is to target resources to meet specific policy objectives. The budget spans the distance between present choices and future options (Caiden 1988). While the federal government provides substantial support to higher education in the form of student aid and research grants, state governments bear the principal responsibility in budgeting for higher education operations and thus in shaping the present and future direction of higher education within the state.

The simplicity of this description belies the underlying interplay of human and external forces and factors laced throughout the budget process. Higher education is both similar to and different from other policy areas in state government like transportation or corrections. It is similar in that it must compete with these other areas for its share of a sometimes shrinking budget. It is different in that higher education is relatively autonomous from the state.

What Are the Environmental Factors?

The environmental context is comprised of interrelated historical, political, economic, and demographic factors. Historical factors include state residents' traditional values and preferences regarding higher education as well as the state government's historical involvement in governance of higher education. Previous budgets also make up part of the historical context. Political factors include the structure of higher education, gubernatorial influence, legislative influence, and interest groups' and citizens' influences. Economic factors include a state's general economic condition, state tax capacity, and availability of state revenues. Demographic factors include the level and composition of a state's population, enrollment in higher education, and student participation rates in higher education.

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How Do These Factors Affect Budgeting?

In part, these factors help explain the wide variance in funding for higher education among the states, although by no means do they explain all of the variance. A state's historical traditions act as "behavioral regulators" for the participants in the state budget process. If the state's residents traditionally have highly valued higher education, state policy makers will also generally value it, and vice versa. Political factors determine the extent to which the power of higher education is centralized at the state level (that is, coordinating agency) or diffused among the individual institutions and the predominance of the governor and the legislature in the budget process. In recent years, governors generally have become much more deeply involved in higher education and hence the budget process. Legislators have also become increasingly sophisticated in their understanding of higher education policy. Consequently, as states' involvement in higher education has increased, so have fears of diminished autonomy within the academy.

State support for higher education is directly related to the general condition of a state's economy, state tax capacity, and availability of revenues. As state economies worsen, demands on the state budget from other services, such as public aid and corrections, also increase. Demographic forces, such as the aging of the population and the growth of the number of minority students, will affect state budgeting for higher education as state governments strive to meet the special needs of these individuals. Traditionally, enrollments and higher education participation rates have been important factors in determining the level of funding provided to higher education, but some evidence suggests that the significance of these factors may be decreasing.

What Are the Primary Elements?

The elements of the state budget process for higher education include the participants, timing, and strategies to allocate resources. The major actors in the process are the governor, the legislature, their staffs, and the higher education community. Both governors and legislatures are asserting themselves more strongly in this process, albeit for different reasons, as a result of increasing sophistication, concern about higher education's outcomes, and recognition of the economic importance of higher education. The governor must represent the broad spectrum of state needs, while legislators are more concerned with specific needs of constituents or regions. The higher education community is comprised of the state-level coordinating or governing agency (if any) and the various sectors of higher education, both public and private.

As important as the governor, legislature, and the higher education governing and coordinating boards are the staffs of these entities. Almost two decades ago, these individuals

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were the "anonymous leaders of higher education" (Glenny 1972). If anything, it is even more true today. Staffs handle technical details, distinguish the important from the trivial, and generally serve as gatekeepers in the budget process.

The timing of the budget process presents numerous issues as well. Over time, most states have shifted from biennial budgeting to annual budgeting to annual budgeting with mid-year alterations. Legislatures meet with greater frequency, economic conditions are shifting rapidly, and demands for state dollars have increased in number and intensity. Even states that still have biennial budgets meet midterm to make alterations. These changes have altered the utility of long-term planning for higher education. Further, participants in the state higher education budget process have different perspectives of the time frame. Politicians generally focus on short time frames, while the higher education community has a longer time frame for meeting objectives. Tensions arise when politicians want quick solutions to problems that require long-term commitments.

Techniques for allocating resources for higher education vary within and among states. Several states use a funding formula for some or all of the higher education budget. Almost half of the states use peer groups comprised of similar states and/or institutions for making decisions and justifying the budget for funding libraries, faculty salaries, staffing levels, and so on. Some states approach the funding of higher education from a more programmatic basis.

How Do State Higher Education Budgets Link Resources with Policy Objectives?

The state higher education budget sets forth the state's major policy preferences for higher education. Major policy concerns in higher education in recent years have been accountability, costs, productivity, quality, affordability, economic development, access for minority and nontraditional students, and equity for independent higher education.

Accountability mechanisms have begun to evolve from data-collection instruments to instruments of change. Future accountability mechanisms will likely be integrated into the state budget process to emphasize feedback.

Costs, productivity, and quality are seen as inextricably linked. It remains clear that the key to keeping costs down and productivity up, while maintaining quality in higher education, lies in the ability to formulate specific goals, exercise constraints on resources, and encourage innovation.

Affordability. Evidence suggests that few states closely link policies for student aid, tuition, and institutional support, which would indicate a great deal of inefficiency in states' financing of higher education.

State-funded **economic development** includes research programs, involvement in education and training programs for the work force, and fostering partnerships with business. Numerous potential problems exist, including the highly political nature of economic development and the fundamental differences between higher education and business.

Most states have initiated programs designed to increase **minority students'** retention and achievement, and some have been effective. **Nontraditional students** are becoming the new majority in higher education, but neither state policy makers nor those in the higher education community have done enough to meet these students' special needs.

Many states provide financial support to the **independent sector** in the higher education budget through student aid and direct institutional aid programs. Because the independent sector highly values these programs, they are an important policy lever for the state.

What Are the Implications?

As states become more involved with higher education, the budget process will become even more important in initiating new policies and policy changes. At the same time, the analysis of the literature indicates several areas requiring further research. For example, it is necessary to know more about the cultural and political context of budgeting for higher education. The effectiveness of higher education policies initiated through the budget process must be evaluated, including incentive funding for quality and economic development. The implications are twofold. First, it is evident that all participants in the state budget process for higher education would be well served to view the process in the "big picture." Understanding why certain things happen in the budget process can greatly improve participants' effectiveness in achieving objectives. Second and simply, state budgeting for higher education is an area ripe for research.

Selected References

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